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Organized Marketing of Export Commodities in Australia

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Australia is one of the world's largest exporters of agricultural products. Various governmental programs giving financial aid and price assistance to producers of different commodities have an important bearing on the competitive position of the Australian producer on the world market. The purpose of this study is to show the development of agricultural assistance in the inter-war period, to summarize the control assumed by the Government over agricultural prices, production, and trade during World War II, and to indicate probable approaches to the solution of Australian postwar agricultural problems.

Australia's agricultural policy is largely determined by the country's position as an exporter of large agricultural surpluses. Products of the non-agricultural industries and minor agricultural products are generally protected by tariffs from the full effects of movements in world price levels. In the inter-war period, however, wool, wheat, sugar, dairy products, meats, and fruits were sold on the world market in large quantities. No over-all agricultural program was ever adopted in Australia. As in most other countries, programs were evolved to give such assistance to the producers of each of the important export commodities as was made necessary by conditions in the market for their product.

Fifty percent of the value of all goods produced in Australia, and more than 75 percent of all exports, are agricultural, including livestock. (See table 1.) Wool and wheat alone account for 50 percent of the country's total exports. Since Australia has been a large importer of finished goods, and since it has a large overseas debt that must be serviced by exports, the prosperity of the whole country is affected by price fluctuations in overseas markets.

To meet the threat of declining world prices, Australia's agricultural policy has moved toward increased participation by the Government, or by Government-authorized producer groups, in marketing control. On the part of the Commonwealth, a series of Export Control Acts have provided for varying degrees of control over the export trade in dairy products, dried fruits, canned fruits, wine, meat, apples, and pears. In addition to licensing exports and controlling shipments, the various commodity boards obtained reductions in overseas freights and insurance, engaged in publicity, and established uniform grading standards. Also, most of the agricultural exports, wool being the notable exception, were marketed under home-consumption price schemes, or other devices, which provided substantial subsidies for producers. These measures have been coordinated with the country's war program and will likely be an important consideration in the determination of its postwar trade policy.

Wool

Though the production and marketing of wool in Australia was free of governmental control and without benefit of Government subsidization before World War II, the industry occupied the predominant position in the rural economy, and wool was Australia's most important export item. Over one-quarter of the world's wool is produced in Australia, and, since 80 percent of the clip is merino, that production includes about 50 percent of the total world production of the fine merino wools that are essential to the worsted trade. Before the war only 7 or 8 percent of Australia's wool was manufactured into cloth at home, the remainder being exported. The volume of these exports accounted for 40 percent of the total value of all exports from Australia.

TABLE 1.—*Value of Australian production and exports, average 1932–33 to 1941–42*

Industrial group	Gross value of production	Percentage of total production	Value of exports	Percentage of total exports	Percentage of production exported
	1,000 pounds [1]	*Percent*	*1,000 pounds* [1]	*Percent*	*Percent*
Agriculture	812, 969	18	280, 951	20	35
Pastoral	953, 698	21	656, 832	47	69
Dairy and farmyard	529, 604	11	135, 452	10	26
Mining	283, 970	6	195, 259	14	69
Forestry and fisheries	132, 374	3	12, 407	1	9
Total primary produce	2, 712, 615	59	1, 280, 901	92	47
Manufacturing	[2] 1, 853. 303	41	114, 669	8	6
Total	4, 565, 918	100	1, 395, 570	100	31

[1] During the 10-year period the value of the Australian pound in United States currency averaged about $3.58.
[2] Net value.

Source: POCKET COMPENDIUM OF AUSTRALIAN STATISTICS, December 1944, p. 79.

Wool is generally marketed by one of two main methods: By public auction at central marketing points, or by private sale. Practically all the wool

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produced in the British Dominions of the Southern Hemisphere, that is, Australia, New Zealand, and the Union of South Africa, was marketed by public auction before the war (*13*).[1] The original wool-auction sales were confined to the London Wool Exchange. However, in the 1840's, relatively early in Australian commercial history, sales were inaugurated in Sydney and Melbourne. Other auction centers were developed in the course of time, and since World War I almost all Australia's wool has been marketed through domestic auctions.

The wool-selling brokers occupy the key position in the Australian auctions (*4*). Located at all the designated auction centers, they provide storage space and properly lighted display rooms where buyers may view samples of the wool proposed to be offered by auction. Wool growers forward their clip to the selling broker of their choice, and he handles the sales. The selling brokers also furnish growers with technical advice on grading, classing, and preparation of wool for sale. Producers of small clips may authorize their brokers to consolidate their clips with others and to class and grade the lot so as to attract those buyers who would not be interested in small, unclassed lots. In addition to these services, the brokers have been an important source of credit for producers.

Shortly after the end of World War I the Australian Wool Growers' Council, consisting of representatives of various State organizations of farmers and graziers, was formed. At about the same time the brokers organized the National Council of Wool Selling Brokers of Australia. These two organizations at annual conferences directed the marketing of the Australian wool clip. The joint conference, after making an estimate of the size of the clip for the season and the potential demand for wool by the buyers, fixed the dates for auction sales and allocated the quantities to be offered each sale day.

The consistent policy was to market the whole of the clip within the production season. Even in 1934–35, when it was necessary to limit severely daily sales in order to prevent a break in the market, practically all the wool was sold during the selling season, though the season was extended to 10 months (*10*). This policy of meeting the market was maintained throughout the inter-war period, with one exception. In 1921, a slump in world prices generally and prospects of having large stocks accumulated during World War I unloaded on the market caused a lack of confidence in the market. At the suggestion of a conference composed of representatives of the Australian Wool Growers' Council, the National Council of Wool Selling Brokers, and the British Australian Wool Realization Association, the Commonwealth Government fixed a minimum reserve price, of an average of 8 pence (15 cents) per pound, below which wool could not be exported from Australia.

The slump in world prices was of short duration, however, and wool buyers were soon reassured as to the policy to be followed in the disposal of the war-accumulated surplus; consequently, the proclamation fixing the minimum reserve price was allowed to expire after 6 months. Prices quickly recovered, and the average return for the season was nearly double the minimum reserve price so that no positive conclusion as to the effects of the control can be reached.

In 1932 a Wool Inquiry Committee, appointed to look into the position of the wool industry, recommended that the Government adopt a similar policy to be exercised upon the recommendation of a proposed Commonwealth Wool Executive in order to prevent the sale of domestic wool at ruinous prices (*4*). These proposals, however, were not adopted, and the industry continued its traditional policy of meeting the market.

Although the Government has given no direct assistance to the wool industry, it levies a tax to provide a fund for research work and advertising. Such activities had been carried on through voluntary subscriptions by wool producers, but in 1936 the threat offered to the industry by synthetic fibers was a cause of growing concern. Wool growers desired that the interests of the industry be promoted even more vigorously than was possible with voluntary contributions. The Government therefore enacted a tax of 6 pence (10 cents) per bale on all wool shorn in Australia. The proceeds are credited to a Wool Publicity and Research Fund administered by the Australia Wool Board, composed of six representatives of the Wool Growers' Council and one of the Commonwealth Government.

Similar acts were passed at almost the same time in New Zealand and in the Union of South Africa. The Boards in the three Dominions cooperated in the establishment of the International Wool Secretariat in London. The Secretariat engaged in publicity and scientific and economic research affecting the wool industry in the United Kingdom, the United States, and continental Europe. The research done in Australia has been concerned mainly with wool production; however, the International Wool Secretariat has spent considerable sums doing textile research in the United Kingdom.[2] (See table 2.)

[1] Italic numbers in parentheses refer to Literature Cited p. 176.

[2] ELLIS, PERRY. WOOL PUBLICITY AND RESEARCH IN AUSTRALIA . . . U. S. Cons. Rpt. No. 173. 7 pp. Sydney. November 6, 1944. [Hectographed.]

TABLE 2.—*Income of the Australian Wool Board and principal items of total expenditure, 1938–39 to 1943–44*

[In Australian pounds [1]]

Year	Income	Expenditure in Australia		Wool publicity and technical research abroad [2]	Total expenditure
		Pastoral research	Display and publicity		
1938–39	76, 973	12, 028	2, 379	38, 866	58, 197
1939–40	86, 575	11, 621	8, 982	39, 105	65, 776
1940–41	87, 134	17, 460	11, 020	39, 139	71, 705
1941–42	90, 153	14, 446	4, 502	39. 024	67, 237
1942–43	87, 465	11, 967	1, 560	39. 030	57, 185
1943–44	91, 853	15, 450	2, 204	38, 971	60, 948

[1] In United States currency, the value of the Australian pound averaged $3.77 in 1938–39, $3.14 in 1939–40, $3.19 in 1940–41, and $3.21 thereafter.

[2] Australia's portion of expenditure on wool publicity and technical research carried out by the International Wool Secretariat in Britain, United States, and (before the outbreak of the war) in continental Europe. Includes cost of transfer of funds to London and United States.

Shortly after the outbreak of war in 1939, the British Government agreed to purchase the Australian wool clip for the duration of the war and for one full season thereafter. The agreement provided that the United Kingdom would pay to the Commonwealth Government a flat rate of 13.44 pence (Australian currency), or about 18 cents, per pound for the whole of the wool clip and one-half of any net profit that might be made on sales to foreign countries. In 1942 this price was increased to 15.5 pence (about 21 cents). Australian growers, however, are paid according to grade as established by a Table of Limits containing more than 900 types and over 600 subtypes. The wool-selling brokers have continued to serve as agents of growers, and the wool-buying brokers are utilized by the Central Wool Committee in appraising the war clip.

The two postwar problems that are receiving most attention by the wool industry are the large accumulation of wool stocks owned by the British Government and the threat of increased competition from the synthetic-fiber industry. By a recent act of the Commonwealth Parliament a fourfold increase in the levy for the support of the Australian Wool Board has been authorized. The increased funds are to be expended on research and advertising to maintain the position of wool in the face of competition from synthetics.

At the beginning of the war, the United Kingdom Government agreed to purchase the wool clip of New Zealand, as well as that of Australia. The following year a similar arrangement was made with the Union of South Africa. As of June 30, 1945, stocks held by the United Kingdom as a result of this purchase program amounted to about 3 billion pounds, or about the equivalent of 2 years' production in the British Dominions. In April 1945, representatives of the four Governments concerned in the wool-purchase arrangements met in London to consider methods to be followed in the liquidation of these stocks. Agreement to the proposals of this conference was announced early in September.

Under terms of the agreement, the four countries will form a joint organization to assume ownership of the wool. The auction system for the sale of new wool clips will be restored as early as possible, and the surplus wool held by the organization will be sold in the same manner. Minimum prices will be fixed, however, below which surplus stocks will not be sold. At the same time, the organization will take over any new wool not purchased on the auctions at prices at least as high as the established minimum levels. The four countries represented in the joint organization will share all storage and marketing expenses and any final profit or loss resulting from the sale of the stocks.

Because of the size of the surplus which the wool organization must dispose of, it will be an important factor in the wool markets of the world for several years. The effect of the organization on the world wool markets is greatly increased by the authority given it to place a floor under the prices of British Dominion wool—which before the war constituted two-thirds of the total wool exports of all the surplus-wool-producing countries.

Wheat

Wheat is the most important field crop produced in Australia. The value of wheat production is exceeded only by wool and dairy production. Sixty to seventy percent of Australia's cropland is normally seeded to wheat. About two-thirds of the average crop of 165 million bushels is exported. During the 1920's both the acreage and production of wheat were considerably expanded as a result of the closer settlement schemes and of provisions for the settling of returned soldiers on the land, mainly in the wheat-producing regions.

World War I produced the occasion for the first governmental wheat program in Australia. To prevent widespread economic hardship, which threatened the wheat districts after the 1914 drought and the cessation in 1915 of private buying for export as a result of war shipping losses, the Governments of the States and of the Commonwealth acted cooperatively before the 1915–16 harvest to establish compulsory wheat pools and to acquire all marketable wheat. The pooling scheme, which remained in effect until the close of the 1920–21 harvest, was not an attempt to push prices up but was conceived to be and remained a scheme to provide for the or-

derly marketing of wheat in the face of the unfavorable shipping situation. On liquidation of the wartime pooling scheme, voluntary cooperative pools were established in the various States. At first these were very popular, but in time this popularity declined; and at the beginning of World War II pooling was important only in Queensland, where compulsory pooling had been retained in an effort to achieve local self-sufficiency, and in Western Australia, where the cooperative movement was strong.

In 1930 the Australian Government called on wheat producers to increase their acreage to the limit in order to provide exports needed to strengthen the Australian financial position in London. Growers responded by expanding their acreages by 30 percent over the preceding 3 years to the record level of 18 million acres, which produced over 213 million bushels. Because of large crops in other wheat-exporting countries and generally distressed economic conditions, the world wheat price broke, and the program was unsuccessful in achieving its objectives. But throughout the remainder of the decade, Australian wheat growers, in common with those in other wheat-exporting countries, produced wheat for low prices and required the assistance of the Government.

Between 1931 and 1936, the Commonwealth Government paid £A14,438,791 ($51,800,000) in relief and bounties to wheat growers. Prices were higher in 1936–37 and 1937–38, and the bounty was discontinued. As prices fell in 1938, growers sought a permanent program that would give them a just price. In answer to this demand, a scheme aimed at establishing a permanent wheat program designed to assure producers an adequate "home consumption" price was adopted by the Governments of the States and the Commonwealth in 1938 (*16*, *20*).

The 1938 Assistance Scheme was a complex program involving Federal and State cooperation aimed at assuring growers a price of 5s. 2d. (about 85 cents), f. o. b. Williamstown,[3] or an average of 4s. 8d. (about 75 cents) at country sidings. When prices were below 5s. 2d. at Williamstown, an excise tax upon domestically consumed flour and other wheat products became effective. A Wheat Committee was to vary the rates of this tax so as to provide a bounty to growers that would give them an income equivalent to what they would have received had wheat been selling at the desired level. If and when wheat was selling at 5s. 2d., Williamstown, no tax was to be levied. As the price rose above 5s. 2d., the flour tax levied on consumers was to be replaced by a wheat tax levied on producers.

[3] Williamstown, near Melbourne, is an important center for delivery, storage, and export of wheat.

The rate of this tax was to be assessed by the Committee by estimating the proportion of the total production of wheat for the tax year that would be consumed domestically and applying the ratio to the amount above 5s. 2d., Williamstown, at which wheat was selling at the time of the recommendation.

The distribution of the proceeds of these taxes was the function of the State governments. The funds raised by the flour tax were distributed to farmers. Except for £A500,000 allocated for drought aid or for resettlement from unprofitable wheat areas, the distribution was to be upon a per-bushel basis. To protect consumers the wheat tax was to be used to subsidize millers during periods of high wheat prices to enable them to sell within the limits of the flour prices set by the State.

The principle was that in years of high wheat prices the price of flour would remain at the stabilized price, and millers would recover their losses by receipts from the wheat tax. Thus, the farmer, who would pay the wheat tax, would subsidize the consumers during periods of high prices, and consumers would subsidize him during periods of low prices. The farmers, quite correctly, did not anticipate high prices.

Actually, the scheme did not live up to the expectations of its sponsors during the year it was in operation. The market price was less than half the goal price, and the bounty available from the tax, which amounted to only 6 pence (about 8 cents) per bushel, did not provide enough funds to make up the deficit.

The experiences of World War I had revealed the difficulty Australia—the wheat-exporting country with the longest shipping lines—had in marketing wheat during wartime shipping shortages. With these experiences in mind, the Government established a Commonwealth Wheat Pool in late 1939 and required that all wheat be marketed through the pool. In addition to the proceeds from the eventual sale of the wheat, producers received the assistance available from the flour tax (about £A4,000,000), and an additional £A2,000,000-subsidy, which was distributed through the pool formed to take the first wartime wheat crop. In 1940, acreage restrictions were imposed, regulations were adopted that coordinated the 1938 scheme and the compulsory pool, and growers were guaranteed a price of 3s. 10d. (61 cents) per bushel, f. o. b. ports, on a marketable crop of 140 million bushels. The amount of the guaranty was changed again in 1942, when the Government announced that farmers would be paid a first advance of 4 shillings (64 cents) per bushel at country

sidings for the first 3,000 bushels of wheat delivered and 2 shillings per bushel for the remainder. Additional advances were made, of course, as each pool was liquidated.

During early years of World War II the biggest problem of the Australian wheat industry arose from the threat of a large surplus. From 1940 through 1944 no expansion of acreage was permitted in the States of New South Wales, Victoria, and South Australia; in Western Australia, growers were compensated for a compulsory one-third reduction in their acreage. In addition, the use of wheat for stock feed and for alcohol manufacture was subsidized. In 1943 shipping improved, and exports of wheat and flour reached prewar levels. As a result of improved exports, increased domestic use, and limitations on acreage, wheat stocks had begun to decline before the disastrous 1944 drought. The drought completely changed the situation, and it became necessary to restrict the export of wheat and limit its use for stock feed during 1945. All restrictions on the seeding of wheat for the 1945–46 season were removed, and the first advance on pooled wheat was increased to 4s. 3d. (68 cents) per bushel for all wheat delivered in order to encourage production.

The present compulsory wheat pool was established under the war powers of the Government. Upon expiration of these powers, the 1938 scheme will still be in effect, with its provision for a bounty during periods of low prices. The Commonwealth is also a party to the 1942 International Wheat Agreement, which, when implemented, will impose additional obligations on Australia in the regulation of the external trade in wheat (*19*). Since it has many areas in which wheat may be produced at low costs, Australia will have a postwar wheat-marketing problem only if there is a world wheat problem.

Dairy Products

Dairying has expanded almost continuously in Australia during the past two decades. The increase in milk cows was moderate from 1921 through 1929 but was more pronounced thereafter until 1936. A contraction then occurred, but numbers again expanded in 1939, when dairy-cow numbers were some 70 percent larger than in 1920. This expansion was accompanied by a still greater increase in butter and cheese exports.

The expansion shown in Australian butter and cheese exports undoubtedly was helped by the adoption of a preferential tariff by the United Kingdom favoring Empire butter and cheese in accordance with the Ottawa Agreements concluded in 1932.

The Paterson Scheme, providing a bonus on Australian butter exports, began to operate on January 1, 1926, at a time when approximately one-third of the Dominion's butter production was sold overseas. This plan provided for an export bonus of 3 pence per pound to be financed by a levy on butter consumed locally. The program was entirely voluntary, each participating factory agreeing to pay a levy to a common pool for every pound of butter it produced. The total contributed to this pool, less administrative expenses, was then distributed in the form of a bounty on the butter exported from participating factories. During the lifetime of the Paterson plan, mean export bounties ranged between 2.75 and 4.5 pence (5 and 8 cents) per pound; the levy on butter production, between 1.5 and 1.75 pence (2.7 and 3 cents) per pound (*7*).

Shortly after the plan was put in operation, imports of New Zealand butter over the 3-penny tariff then prevailing threatened to break the domestic market price. The tariff was increased to 6 pence per pound in 1927 and to 7 pence in 1932. The scheme also was threatened by the stimulus to butter production resulting from the above-world price prevailing within the country. Production continued to increase, necessitating larger exports. Whereas only 30 percent (*7, p. 488*) of the Commonwealth's butter production was exported in 1926–27, the percentage was increased to 56 in 1932, and the scheme no longer served its purpose, because either the bounty was too small or the levy too large. A factory refusing to pay the levy could afford to sell butter in the domestic markets at a lower price than a factory that had entered the voluntary scheme. Furthermore, by saving payment of the levy on production of butter, it might also outbid the factory paying the levy when purchasing cream. So, when the Paterson Scheme broke down, a new compulsory plan, the Dairy Industry Equalization Scheme, was substituted.[4]

The Equalization Scheme regulated the amount of butter and cheese that could be sold within the country (*6, 12*). Each manufacturer under it was assured a fair share of the local market, either actually (by quota) or, in effect, by a system of price equalization. Under the Constitution, regulation of domestic markets could not be carried on by the Federal Government alone, since control over intrastate marketing was reserved to the States. Accordingly, Dairy Products Acts were passed by the principal dairying States, which set up Dairy Boards with authority to set quotas for home consumption. Under

[4] The plan become operative for butter on May 1, 1934, and for cheese in July 1934 (*7, p. 491*).

such a quota, each producer of butter and cheese was entitled to market a certain definite proportion of his production within the State concerned, but he was required to export the balance.

The Commonwealth completed control of butter and cheese marketed within the country under the Dairy Produce Act (1933), which was designed to control interstate trade and thus prevent a producer from consigning his surplus over and above the State quota to another State. Transportation of butter and cheese between States was licensed, and the licenses could be obtained only on the condition that the licensee comply with export quotas determined by the Commonwealth. This ensured that surplus production was removed from the Australian market.

In practice, under the equalization scheme, each factory was allowed to function as it had previously, but net receipts were adjusted. Factories marketing more than their quota on the home market had to pay into the equalization fund a sum equal to the difference between the local price and the export price for that quantity sold in Australia in excess of their quota. Factories exporting more than their quotas received an adjustment equal to the difference between the local and the export prices for that proportion of their exports exceeding their quotas. Thus, each factory received an equalization price for its produce.[5] This price has ranged between the domestic and world market price, although conceivably it could exceed the domestic price, if the world market were higher.

The price prevailing in the domestic market was sufficiently above the world level to permit producers to obtain an above-world-market price on their entire output. The program had to be modified, however, after the Privy Council decision in the James case on July 16, 1936, whereby control of interstate trade by the Commonwealth was declared to be contrary to Section 92 of the Constitution, which provides that interstate trade shall be absolutely free.[6] Thereafter, the equalization program was continued by voluntary cooperation of producers, who entered into agreements to observe the quotas as determined. The legislation of the States was not invalidated, and the various State boards continued to function as they had prior to the James decision.

The State boards advise their governments as to what quotas should be set for home consumption of butter and cheese, and they may enter into agreements with boards in other States for the purpose of stabilizing the market. The Commonwealth Dairy Produce Equalization Committee, Ltd., continues to provide the machinery for determination of the equalization price and equalizes returns to factories through an Equalization Fund. The percentage quotas have been identical in all the States concerned in the scheme; namely, New South Wales, Victoria, Queensland, and Tasmania for butter and these States and South Australia for cheese. The quotas vary from month to month in response to fluctuations in production. They are determined in such a way that supplies left for local markets may be sold at the price fixed for such local consumption by the Dairy Produce Equalization Committee. This price is uniform for the participating States.

The scheme has afforded a high degree of protection to the Australian dairy industry at the expense of the consumer. (See tables 3 and 4.) Much of the expansion in dairy production apparently resulted from the dairy equalization plan and to the preference given Empire dairy products in the British market.

TABLE 3.—*Prices[1] received for butter in various markets in Australia for equalization purposes, July–June 1934–43*

[Per 112 pounds]

Year	Local		Interstate		Overseas		Average values[2] Equalization		Average values[2] Export parity	
	s.	*d.*	*s.*	*d.*	*s.*	*d.*	*s.*	*d.*	*s.*	*d.*
1934–35	136	5	133	2	80	0	101	6	80	8
1935–36	136	5	130	0	101	6	117	5	103	8.5
1936–37	136	5	129	7	109	3	123	2	111	10
1937–38	146	3	138	1	127	9	136	6	130	0.5
1938–39	154	5.5	146	5.5	121	7.5	136	3.5	123	8
1939–40	154	5.25	147	7.25	132	8	141	10.25	131	4.25
1940–41	154	5.6	146	3	132	4.6	143	1.2	132	1.6
1941–42	156	10.5	146	9.49	129	8.81	145	5.42	133	3
1942–43	162	0.5	149	4.79	136	5.11	151	11.85	138	5

[1] In United States currency, the value of the Australian shilling (s.) varied from 19.6 to 19.8 cents between 1934–35 and 1937–38. It was worth 18.9 cents in 1938–39, 15.7 cents in 1939–40, and has since been worth 16 cents. A penny (d.) is one-twelfth of a shilling.

[2] The equalization value is the average price actually received for each unit sold, either on the domestic market or overseas; export parity is an estimate of the price that would have been received had world prices controlled the domestic market. The difference between the two columns is a measure of the extent of subsidization afforded by the scheme.

The dairy industry continued to operate during the war under a dual-price system, but new factors entered into the determination of the price structure. Export prices are fixed by negotiations between the Australian and the British Government, which has purchased all of Australia's surplus dairy production throughout the war. At the same time, domestic prices have been fixed by the Prices Controller in accordance with the price-stabilization policy of the Government. By 1942 it was apparent that dairy production was declining in Australia. While shortages of manpower and of fertilizer were responsible

[5] The Commonwealth Dairy Produce Equalization Committee, Ltd. (1934), composed of representatives from the States enacting quota legislation, provided the machinery for price equalization.

[6] A referendum conducted in 1937 on the question of amendment of the Constitution to permit the Commonwealth to control interstate trade left the situation unchanged (7, p. 492).

for part of the decline, the general opinion was that under controlled prices dairy farming was becoming less profitable in relation to many other farm activities and to practically all industrial enterprises. Acting accordingly, the Commonwealth Government began the payment of a subsidy on processed dairy products on July 1, 1942. Since then the subsidy has been extended to include the production of whole milk for the various metropolitan districts.

The subsidy was originally established at a rate of 0.86 penny per pound of butter, with payments on other dairy products at a rate estimated to yield an equivalent return to the producer of the whole milk (*9, p. 65*). Adjustments of the rate were subsequently made in April 1943 (3.25 pence per pound of butter), July 1943 (3.8 pence), April 1944 (5.33 pence), and November 1944 (3.54 pence). The total cost of the subsidy amounted to £A1,200,000 ($642,000) in 1942–43, £A7,300,000 ($23,433,000) in 1943–44, and about £A8,000,000 ($25,700,000) in 1944–45.

TABLE 4.—*Prices*[1] *received for cheese in various markets in Australia for equalization purposes, July–June 1934–43*

[Per pound]

Year	Local and interstate	Process	Overseas	Average values[2]	
				Equalization	Export parity
	Pence	*Pence*	*Pence*	*Pence*	*Pence*
1934–35	8.046	-------	3.80	6.037	4.076
1935–36	9.135	7.95	5.21	7.532	5.239
1936–37	9.129	8.18	6.21	7.951	6.483
1937–38	9.681	8.49	6.95	8.046	7.125
1938–39	10.148	8.69	6.35	7.675	6.537
1939–40	10.099	8.73	7.37	8.166	7.264
1940–41	9.970	8.73	7.43	8.296	7.428
1941–42	10.387	9.22	8.237	9.109	8.158
1942–43	11.254	10.164	8.827	9.906	8.537

[1] The average value of the penny in United States currency was about 1.5 cents.
[2] The equalization value is the average price actually received for each unit sold, either in the domestic market or overseas; export parity is an estimate of the price that would have been received had world prices controlled the domestic market. The difference between the two columns is a measure of the extent of subsidization afforded by the scheme.

In 1944 the United Kingdom agreed to purchase Australia's exportable surplus of butter and cheese for a 4-year period. The prices to be paid were not known, however, until April 15, 1945, when those for the first 2 years were announced, with an indication given that prices to prevail during the third year of the contract would be announced by May 1, 1946, and those for the final year by May 1, 1947. During the first 2 years the export price for choice grade butter is fixed at £A9 4s. 8.25d. per cwt. (approximately $29.50 per 112 pounds), f. o. b.; for choicest and first-grade cheese, at £A5 7s. 6d. (about $17.20) per cwt. These are much higher than the previous prices, and the Prime Minister stated that they would obviate the need for additional subsidy from the Commonwealth Government. Before July 1946, the Prime Minister further announced, the Government would indicate its decision as to the amount of subsidy payments to be made in the 2-year period following that date.[7] The Australian dairy industry will have an assured export market during the 1946–48 period. This and the Government's announcement of its continued assistance will be stabilizing factors in Australia's dairy production.

Sugar

During the 10 years before 1938 Australia produced an average of 629,000 long tons[8] of cane sugar and about 5,000 long tons of beet sugar per year. Around 50 percent of the production was exported. The beet sugar, which is produced in Victoria, is of little significance in the industry. About 95 percent of the cane sugar is produced in the coastal areas of Queensland, and the remaining 5 percent in adjacent areas of New South Wales. While the sugar industry is the most heavily subsidized of the rural industries, a large part of the population of tropical Australia is dependent, directly or indirectly, upon it.

Sugar (*7, p. 523*) was first produced in the Colony of Queensland with the assistance of Kanaka labor. After federation of the various colonies into the Australian Commonwealth in 1901, the Commonwealth Government sought to repatriate the Kanakas, since their continued presence was incompatible with the national policy of "White Australia." To assist the grower to make a change from island to white labor, the Commonwealth Government levied an excise duty on sugar and paid a rebate on sugar grown entirely by white labor. By 1913 practically all the Kanakas had been repatriated, and the excise-rebate measure was repealed. In its place, tariff protection was provided.

During World War I, Australian production was insufficient for home needs. In 1915 the Queensland government agreed to acquire all the sugar grown in Australia and to sell it to the Commonwealth Government at a price that was fixed for the period of the war. Since world sugar prices soon rose to unprecedented heights and domestic prices remained at the agreed lower level, Australian sugar producers felt that they were subsidizing the domestic consumer. In 1920, while the world price of sugar was still high, the price for Australian sugar was increased from £A21 to £A30 6s. 9d. for a 3-year period. The higher price, desired in order to make unnecessary further imports of sugar, was not un-

[7] MINTER, JOHN R. BRITAIN CONTRACTS FOR AUSTRALIAN BUTTER AND CHEESE. U. S. Cons. Rpt. 1046. 4 pp., illus. Canberra. April 18, 1945. [Hectographed.]
[8] 1 long ton equals 2,240 pounds or 1.12 short tons.

justified in the light of world prices at the time it was fixed. The measure succeeded in its purpose beyond all expectations. Production increased so quickly that the industry was on an export basis and faced the problem of restricting rather than of expanding production before the end of the 3-year period.

In 1923 the Commonwealth Government stepped out of the sugar-marketing business. Since then the Queensland government has purchased all the cane sugar produced in Australia and has marketed it at prices arranged for by agreement with the Commonwealth Government. These agreements have provided for domestic prices considerably higher than world prices. Since the tariff duties usually have not afforded enough protection for the designated domestic price, an embargo has been placed on the import of sugar. Australia's surplus sugar production is sold in the world market at world prices. The Queensland Sugar Board is charged with distributing the average price received for all the sugar, whether sold at home or abroad, to the various sugar mills. The net result is that the sugar industry is heavily subsidized by the Australian consumer.

In order to keep the amount of the subsidy within reasonable limits and to protect the scheme from breaking down because of unlimited expansion in sugar production, it has been necessary to adopt measures to restrict further expansion of the sugar industry. Restraints have therefore been placed upon both the sugarcane growers and the sugar mills. Under the Peak Year Scheme, adopted in 1930 by the Queensland government, each mill is restricted to its highest output of raw sugar since 1915. Sugar produced in excess of this amount is not allowed to share in the benefits of the home-consumption price. In addition, growers may market cane under the home-consumption price only when it is grown upon an "assigned" area. Since 1925 no new land has been assigned, and all previous assignments not brought into production before that time have been canceled. Sugar may be produced in mills in excess of the quota, or cane may be grown on "unassigned" areas, but, in such cases, the produce is exported, and the producer receives only the world price, or normally less than half the Australian price.

In 1937 Australia became a party to the International Sugar Agreement, its basic annual export quota being fixed at 400,000 long tons. In some years supplementary quotas, based upon an estimated expansion in world sugar consumption, were allowed. This permitted some increase in the cane acreage.

Since the beginning of World War II the United Nations have needed all the sugar that Australia could produce, but from 1940–41 until the trend changed in the present crop year production declined. This resulted from shortages of manpower, fertilizer, and machinery. An application for subsidization of the Queensland sugar industry was turned down upon the recommendation of the Tariff Board. No doubt those in the sugar industry are operating on reduced incomes, but the Tariff Board must have considered the fact that the high cost to the Australian consumer of protecting sugar was a result of a previous effort to guarantee profitable terms to the industry when sugar was scarce and world prices high.

Meat

Meat accounted for 7.5 percent of Australia's total exports during the prewar period 1934–35 to 1938–39. The principal market for Australia's meat is the United Kingdom, which since 1935 has usually taken over 90 percent of the beef and veal exported and over 98 percent of the mutton and lamb. The United Kingdom has always taken most of the mutton and lamb exported by Australia, but as much as 50 percent of the beef exported went to continental Europe before wide adoption of policies of economic nationalism in the late 1920's virtually closed this market.

The only direct financial assistance given to the meat industry by the Government was a sum of £A263,026, paid between 1922 and 1924 as a bounty on the export of canned and frozen beef and on live cattle exported for slaughter under the Meat Export Bounty Acts, and an additional sum of £A4,910, which under the Cattle Export Bounty Act, 1924, provided for the continuance of the payment of the bounty on live cattle for a time. All during the 1930's, however, the Government was continually jockeying with the British Government to secure more favorable terms for Australian meat in the British market.

Australia's meat exports expanded during the 1930's even though the world market contracted. This resulted primarily from concessions in the United Kingdom market obtained at the Ottawa Conference of 1932. At that Conference the United Kingdom representatives announced (*14, p. 15*)—

> the intention of their Government of regulating imports of meat and stated that their future policy would be firstly to protect the home livestock producer and secondly to secure to Empire countries an expanding share of the market.

To carry out this policy, the Ottawa Agreements provided that the United Kingdom should prohibit imports of all frozen mutton, lamb, beef, and chilled beef produced outside the British Empire, except under license issued by the Board of Trade. Pro-

gressive restrictions were placed on non-Empire frozen beef, mutton, and lamb until, as from June 30, 1934, the permitted imports were reduced to 65 percent of the totals for the 1931–32 Ottawa year. Foreign (non-Empire) chilled-beef imports by terms of the Anglo-Argentine Trade Agreement, which followed the Ottawa Agreements, were restricted to about 90 percent of the 1931–32 totals according to the state of the market.

Restrictions were not placed on Empire imports until June 30, 1934. From that date limits were fixed beyond which imports of Empire meat should not expand. As a matter of fact, these periodical quotas had little effect on the Australian trade. They were not arbitrarily determined but were fixed "in the light of estimates of supplies which would be available for the period covered (*15, p. 19*)." Consequently, the quota always covered the amount of meat in Australia available for export to the United Kingdom. The result of this policy of limiting foreign imports to a reduced level and of maintaining token quotas, aimed at restraining the rate of expansion, on Empire imports was to give the Dominions a larger share of the British market. The proportion of United Kingdom meat imports supplied by Australia increased from 8 percent in 1931–32 to 13 in 1935–36—the period in which the adjustments were largely made.

Another important gain for Australia was the successful development of a chilled-beef trade with England. During the Ottawa year shipments of chilled beef from Australia, and also from New Zealand, were thought to be impractical. Experimental shipments, made shortly thereafter, proved otherwise. Exports jumped from 55,000 cwt. in 1934, the first year of shipments on a commercial scale, to 232,000 cwt. in 1935 and to over 500,000 cwt. in 1938. Argentina took notice of this expanding trade in 1935 and called attention to sections in its trade agreement with the United Kingdom which provided that the 10-percent reduction in United Kingdom imports of chilled beef from Argentina was not to be replaced by increased imports of other meats with the result of neutralizing the desired effect on prices. Australia insisted upon and won the right to make an unlimited increase in shipments of chilled beef, although this expansion after 1936 was to be made at the expense of the quota for frozen beef. This afforded Australia ample leeway to develop the more lucrative chilled-meat trade.

The purposes of the British Government in following the policy indicated by the provisions of the Argentine and Ottawa Agreements relating to meat were to maintain prices at a level that would enable its domestic producers to increase their output profitably and to permit the development of an Empire Trade Policy concurrently with the desired expansion of home production. The reconciliation of these two purposes necessitated that the reduction in imports be confined almost entirely to supplies from non-Empire countries.

The means adopted to secure these purposes: that is, import control and the restriction of supplies on the market, proved to be: (1) Objectionable to many industrial and consumer groups, who disliked any policy of restriction of food supplies, and (2) ineffective in its object of raising prices. Consequently, the British Government paid a temporary subsidy to its beef producers and in July 1934 issued a White Paper (*7, p. 393*) inviting the Empire and Latin American meat-supplying countries to present their views on suggested alternative programs, including: A drastic quantitive regulation of supply; an import duty with Empire preferences, the proceeds to be used to pay a subsidy to British producers; or some combination of the two. While the British Government favored the import duty with a domestic subsidy, it was bound by existing treaty obligations not to place an import duty on meat from Argentina before November 1936 and on meat from the Empire before August 1937 without the consent of the respective Governments.

Neither the Dominions nor Argentina would consent to an import duty. Negotiations continued throughout 1934–35 and into 1936, with the United Kingdom taking a firm stand on the proposition that either a duty should be levied, or supplies should be restricted on the United Kingdom market. During the course of negotiations a scheme for the regulation of the meat supply by International Conference was advanced by the United Kingdom Government and given early support by the New Zealand Government. The proposal was accepted, and from April 1937 the supply of imported beef in the United Kingdom market was regulated by the International Beef Conference.

The Chairman of the Conference was appointed by the United Kingdom. Argentina, Australia, Brazil, Eire, New Zealand, and Uruguay were each represented by one member. Representatives from the British Empire formed an Empire Beef Council, which separately considered the imperial aspect of any question brought before the Conference.

The main object of the Conference was to ensure in the interest of producers and consumers alike an orderly adjustment of supply to demand, having regard to the seasonality of supplies and the potential-

ities of production in the several producing countries. To carry out this object the Conference made (*18*)—

recommendations with regard to the total quantities of beef and of the various classes of beef to be exported from time to time to the United Kingdom, and to the proportions of these totals to be exported from each country, subject to the following provisions:

(*a*) Aggregate exports of beef to the United Kingdom during the first three years of the operation of the Scheme will not, unless otherwise specially agreed by the Conference and subject to the provisions of (*d*) below, exceed recent levels. Out of this aggregate the United Kingdom Government will reserve for the countries who are small suppliers of beef to the United Kingdom a quantity based on their shipments in recent years.

(*b*) The Conference will not propose any limitation of the extent to which Empire countries export beef in the chilled instead of in the frozen form.

(*c*) The Conference may, during the first three years of the operation of the Scheme, recommend a reduction of the total shipments of chilled beef from foreign countries, provided that the reduction from one year to another shall not exceed 2 per cent of the quantity shipped in the year 1935, and that reduction in the third year shall not exceed 5 per cent of that quantity. Any such reduction will not be regarded as constituting a claim by foreign countries to increased exports of frozen beef.

(*d*) The Conference will not propose any reduction of shipments of fat cattle from the Irish Free State below the number which His Majesty's Government in the United Kingdom agreed to admit in the year 1936.

(*e*) It is understood that it may become necessary for the Conference to make special provision for increased shipments of fat cattle and/or beef from the Irish Free State, Canada and the Union of South Africa.

The recommendations reached unanimously by the Conference were communicated by overseas representatives to their Governments, or to other competent authorities, with a view to shipments being regulated in accordance with such recommendations.

This provision made necessary the establishment of some instrument of control over the meat trade of each country which was a party to the agreement. The regulatory body in Australia was the Australian Meat Board, which was created by the Meat Export Control Act 1935–36.

That act authorized the creation of the Board and gave it the power (1) to license, control, and regulate the Australian export trade in meat; (2) to advertise Australian meat overseas; (3) to recommend quality and grading standards for export meat and to take action to improve the quality, or prevent the deterioration, of export meat before and during transport; (4) to advise the Commonwealth Government concerning any meat-export program that it might be necessary to observe; (5) to arrange shipping and insurance contracts; and (6) to conduct or encourage any research that would tend to the advancement of the meat-export industry. The Board worked along all these lines, but its most important function was the regulation of the flow of beef to the United Kingdom according to the recommendations of the International Beef Conference. In 1938 the functions of the Beef Conference were extended to include the regulation of mutton and lamb supplies in the British market, and the name of the organization changed to the International Meat Conference. The Australian Meat Board also made the necessary extension of its functions to correlate its work with the International body.

Since the outbreak of war in 1939, the export of meat from Australia has been a Government monopoly. Yearly contracts fixing the terms and conditions of sale have been entered into by the Australian Government with the United Kingdom covering approximately the total surplus available for export. Though the transactions have been made in the name of the respective Governments, the existing meat-exporting companies have continued to perform their usual functions.

In 1944 an agreement was reached assuring Australia of a market for all classes of beef, mutton, and lamb for 4 years and of pork for 2 years. The United Kingdom will purchase the surplus of these products above what is necessary to meet requirements for Australian civilians and services, Allied Forces in the South Pacific, and for UNRRA. Prices are fixed but are subject to review at the end of 2 years at the request of either Government.

Fruit

Australia produces most of the important commercial fruits that may be grown in either the Tropics or the Temperate Zone. Many of these are grown for the export trade. Apples, commercially the most important fresh fruit, are produced in all States, although the greater part of the exports come from Tasmania. Next in importance are the citrus fruits, produced largely in the coastal areas of New South Wales and the irrigated areas of the Murray Valley. Peaches, pears, apricots, bananas, pineapples, and many other fruits are produced in large quantities to supply the home fresh-fruit market.

Fruit canning is carried on in each State, and a large part of the cannery output is exported. The principal fruits canned are apricots, peaches, pears, and pineapples; the main production of the first three mentioned is in the irrigated areas of Victoria and New South Wales, whereas pineapple production is almost entirely confined to Queensland.

Australian orchards are also the source of an export trade in jams, jellies, preserves, and dried tree fruits.

Grapes have been grown in Australia since the earliest settlement. Before 1900 they were mainly used for making wine. Since then the dried vine-fruit industry has made great strides. It is now by far the most important outlet for the vineyard production, although large quantities of wines still enter world trade. Most of Australia's vineyards are in the irrigated sections of Victoria, New South Wales, and South Australia.

The fruit industry has been actively assisted by the Government for many years. Many of the important fruit areas are in irrigated districts that were developed through Government assistance. The Government also promoted the development of irrigation works through "soldier settlement" and "closer settlement" schemes in these areas. Thus, from the very beginning, the Government has had a paternal interest in the fruit industry.

In the period between 1920 and 1932, the most important measures of direct governmental aid to agriculture fell into two main groups: (1) Grants made to various pools in the early 1920's and (2) payments under the Export Guarantee Act, 1925. The fruit industry was the largest beneficiary under both these policies.

In the 1920–21 season various pools were formed for the purpose of marketing fruit. Overdrafts of these pools were guaranteed by the Commonwealth Treasury. The following year the Government agreed to the formation of a Commonwealth pool for the purpose of canning, pulping, and selling fruit. Subpools were formed for each class of fruit, and again the net loss suffered was to be borne by the Government. In 1922–23 and 1923–24 the pool was voluntary and was concerned mainly with the marketing of fruit; however, the loss was assumed by the Government as formerly. The total loss sustained by the Commonwealth in guaranties to these pools, including the writing off of certain advances to a cooperative active in the marketing of berries, amounted to £A717,708.

In 1924 the Export Guarantee Act was passed in an attempt to coordinate assistance granted to producers of agricultural products. The fruit industry, and, in particular, the canned-fruit industry, was one of the main beneficiaries of the act. (See table 5.) The act provided that the Treasurer should guarantee to any bank the amount of any advance made by the bank to a Board in connection with the financing of any scheme for the export and marketing of the produce under the control of the Board. The guaranty was limited to 80 percent of the market value of the produce. The act also provided, however, that the Minister for Commerce should grant additional assistance (1) in relation to the export and marketing of primary produce and (2) to the growers of primary produce used, or to be used, in the manufacture or preparation of goods of a kind suitable for export from Australia. The effect of the act was to grant a substantial export subsidy to the products that were assisted under it.

The marketing of Australian fruit has been controlled to a varying extent by various Export Control Boards. As the first of these, and as the one which was the subject of most of the litigation which finally determined the position of all the commodity-control boards in the Australian constitutional system, the Dried Fruits Control Board is the best known. The marketing control of the dried vine-fruits industry is, however, much older than the Control Board.

The Australian Dried Fruits Association, formed in 1907 from an amalgamation of several local organizations, controlled prices and determined the conditions of sales by its agents from its inception. The Association has a heterogeneous membership, including growers, cooperative and privately owned packing sheds, cooperative and private selling agen-

TABLE 5.—*Payments*[1] *made under the Export Guarantee Act (1924), 1925–26 to 1933–34*

Year	Citrus fruit	Doradillo grapes	Chanez grapes	Canned peaches	Canned apricots	Canned pineapples	Hops	Herd testing	Broom millets	Sundries[2]	Total
	£'s	*£'s*	*£'s*	*£'s*	*£'s*	*£'s*	*£'s*	*£'s*	*£'s*	*£'s*	*£'s*
1925–26	328	15,079	67	2,585	6,273	69	24,535		941	505	50,382
1926–27	900		65	19,016	1,099		37	264	1,184	35,854	58,419
1927–28	500		1,893	12,912	1			11,084	101	37,271	63,762
1928–29				35,655				13,631		39,380	88,666
1929–30				10,626				9,385		44,452	64,463
1930–31				4,988				21,513		23,117	49,618
1931–32								18,500		15,489	33,989
1932–33										15,212	15,212
1933–34										15,000	15,000
Total	1,728	15,079	2,025	85,782	7,373	69	24,572	74,377	2,226	226,280	439,511

[1] From 1925 through 1929 the value of the Australian pound was $4.80 in United States currency. It then depreciated to a low of $2.62 in November 1932. The average 1933-34 value was $3.92.

[2] The amounts appearing under "sundries" were spent mainly on overseas advertising and publicity. This item also includes amounts spent on subsidizing the importation of pedigreed stock.

cies, and wholesale dealers, but it is largely controlled by producers—over 90 percent of whom are represented in it. The Association (*11*) fixes quotas for export and for interstate and intrastate sale in such a manner as to keep the exportable surplus off the home market and to maintain the home price at a high level behind tariff walls while the surplus is marketed overseas. The Association operates through a few approved selling agents, who sell only to those retailers who make declarations to the effect that they have not been directly or indirectly interested in the purchase of dried fruits outside the Association or been parties to any breach, or evasion, of the Association's regulations. The regulations are said to have been approved by the Commonwealth Attorney-General as not being in conflict with the Australian Industries Preservation Acts (the Australian form of Anti-Trust Acts) (*17*).

The Association was successful in maintaining its control over the market until the early 1920's. Just at the time when world prices fell, large acreages of vines in newly developed fields began bearing. In 1921 the Association requested the Governments of the Commonwealth and of the States to assume statutory control over the industry. At the same time, they requested the Commonwealth Government to press for tariff preference for Australian raisins and currants in the Empire market. The Government was sympathetic to both demands, and by 1924 agreements providing for tariff preference had been negotiated with the United Kingdom, Canada, and New Zealand—although New Zealand did not make the preference effective until 1933—and a Commonwealth Dried Fruits Control Board (*3*) had been authorized.

In 1926 the Australian Dried Fruits Association was reorganized, with the thought that its market regulatory work would be performed by the State Dried Fruit Boards and the Export Control Board. Quotas regulating the percentage that could be sold in the home market were first imposed by State Boards. These, however, were declared to be unconstitutional in 1928, and the Commonwealth Government was given the authority to fix the quotas. In 1936, in the James case, the control of the Commonwealth over the interstate trade in dried fruits was held unconstitutional, and the Australian Dried Fruits Association once more assumed an important position in the regulation of the domestic trade in dried vine fruits. The effect of this regulation of the trade has been to support domestic prices at levels in excess of world prices. However, since the domestic market takes less than 20 percent of the total production of dried vine fruits, the measure has been as important for the stabilizing influence that it exercises on the market as for the increase in producers' incomes resulting from the higher domestic price.

TABLE 6.—*Changes in tariff rates on raisins and currants imported into the United Kingdom, showing imperial preferences, specified years*

[Per long ton (2,240 pounds)]

Item	Rates before 1919			1919			1924			1925			1932		
Raisins:	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Non-Empire	10	10	0	10	10	0	7	0	0	7	0	0	10	10	0
Empire	10	10	0	8	15	0	5	16	8			Free			Free
Currants:															
Non-Empire	2	0	0	2	0	0	2	0	0	2	0	0	2	0	0
Empire	2	0	0	1	13	4	1	13	4			Free			Free

Without imperial preference, the dried vine-fruit industry could not have reached its present stage of development in Australia. It has never been able to compete outside the protected markets of the British Commonwealth with either United States or Mediterranean production. The industry has been on an export basis only since World War I. During the whole of that period preference has been granted in the United Kingdom (table 6), and during a large part of it preference has been granted by Canada and New Zealand. Canadian preference of 3 cents (Canadian) per pound for both raisins and currants was first granted under the terms of the Canadian-Australian Reciprocity Treaty of 1926. In 1931 this was increased to 4 cents per pound. New Zealand enacted a preference of 2 pence per pound in 1926, but the duty was not proclaimed until 1933. Because of the measures of protection granted in the New Zealand and the Canadian markets and the necessity for retaining them if Australia was to market its peak production, the Australian Dried Fruits Board, in years of low production, has directed that normal supplies be sent to these markets even at the expense of the United Kingdom market.

Since 1924 the Commonwealth Government has paid a bounty on the export of wine, the second product of Australia's vineyards. Over £A3,000,000 has been paid in bounties since that time. In addition, Australian wines enjoy preferential treatment with regard to duties on importations into the United Kingdom and Canada. Since 1929 the Wine Overseas Marketing Board has controlled the export trade (*5*). During most of the period of the Board's operation it has fixed minimum prices at which Australian wines might be sold abroad and the amount of wine that might be released from bond, conducted advertising campaigns, and supported research beneficial to the trade.

Exports of canned fruits, largely peaches, pears, apricots, and pineapples, are regulated by the Australian Canned Fruits Board (*2*), which fixes the minimum prices at which they may be sold abroad. The United Kingdom takes over 85 percent of the canned fruit exported, and, as with other fruit products, imperial preference is an important factor in the trade. The United States is Australia's principal competitor for the British market.

A substantial part of the payments under the Export Guarantee Act, 1924, was made to the canned-fruit industry. Since 1931, however, the Commonwealth Government has not subsidized the industry directly but indirectly through the sugar industry. Under the terms of the Commonwealth-Queensland sugar agreement, a Fruit Industry Sugar Concession Committee (*8*) was established. This Committee gives a subsidy to the canned-fruit industry in the form of a rebate on the cost of sugar used in the canning, which is conditioned upon the canners' paying to the producers of fresh fruit minimum prices fixed annually by the Committee. The producer is thus assured that some of the benefits of the subsidy will be received by him. The cost is borne by the Australian sugar consumer.

From 1933 through 1937 direct financial assistance was granted to Australian apple producers. In 1935–37 this was in the form of an export subsidy. The Australian Apple and Pear Board (*1*), established just before the outbreak of the war in 1939, has assumed responsibility for losses occasioned by the cutting off of the normal export market. This has amounted to a large subsidy, which has kept the industry on its feet during the period when no shipments could be made abroad because of shipping difficulties.

New Zealand is the main outlet for Australia's citrus exports. From 1933 until 1940, the Commonwealth Government paid subsidies on citrus exports to other countries in an effort to build up new markets. Citrus production has been declining, however, and the Commonwealth will probably never become an important exporter of this fruit.

Summary

Only wool and meat, of Australia's major agricultural export products, were marketed before World War II without the benefit of a "home consumption" price scheme. The home price of sugar was fixed by the Government, and increased domestic prices were secured for butter, cheese, and certain dried fruits by the organized action of processors in exporting agreed quantities of each product so as to leave available for the local market only the quantity that could be sold at the desired prices. The 1938 Wheat Stabilization Scheme provided for the regulation of the price of flour and bread by Government action, while trading remained in regular channels. Thus, the price-supporting schemes have allowed private traders to operate with considerable freedom in the domestic market.

The cost of these home-consumption price schemes to Australian consumers has been roughly calculated by multiplying the consumption in Australia by the excess of the home price over the export price—ignoring freight and similar charges. The results of such calculations indicate that the excess costs to consumers of these products on account of the price support for sugar, butter, cheese, wheat, and dried vine fruits for the fiscal year 1938–39 was £A11,-435,000 ($43,110,000).

The home-consumption price schemes have an important effect upon the position of Australia's agricultural exports in world markets. In the case of each commodity marketed under the scheme, the higher home price and the export price are equalized at the processor level and distributed to the producer in the form of a higher price for the whole of his product than would otherwise have been received by him. The effect is to encourage greater production, which has been free of restrictions, except in the case of sugar and certain wartime crops of wheat. At the same time, the amount sold in the home market is restricted, by varying amounts, depending on the consumer reaction to the higher prices maintained for particular commodities sold in the domestic market. Both the increased production and the reduction in home consumption serve to increase the amount of the commodity offered in the export market. Hence, the general effect of the home-consumption price is similar to that of a direct bounty on exports in that the price to the producer is raised above the export level, and the amount of products pushed into the foreign market is increased.

The cost to Australian consumers of home-consumption price schemes for certain commodities in the fiscal year 1938–39 was estimated as follows:

	1,000 Australian pounds	*1,000 U.S. dollars*
Sugar	6,000	22,620
Butter	2,900	10,933
Cheese	440	1,659
Wheat	1,809	6,820
Dried vine fruits	286	1,078

With the outbreak of war in 1939, the Australian Government entered into agreements with the Brit-

ish Government for the sale of the whole of the wool clip and of the exportable surplus of the more important foods, such as meat, cheese, butter, and canned and dried fruit—at guaranteed prices. Deciduous fruits, however, were not wanted; so the Commonwealth Government purchased the surplus apple and pear crop in 1940, 1941, and 1942 and thus guaranteed prices for them. Since 1942 Government purchase has operated only in Tasmania and Western Australia, the States that produce these fruits for export.

In December 1943 the Prime Minister defined the wartime price policy of the Australian Government with regard to farm products as follows:

> Guaranteed prices are already being paid for wool, wheat, hides, and skins, rabbit skins, sugar, potatoes, dried fruits, pig meats. Under arrangements with the Dairying Equalisation Committee there is also virtually a guaranteed price for all dairy products, including fresh milk, and the arrangements made through the Egg Controller virtually establish guaranteed prices for eggs. There are only two major groups of farm products for which minimum or guaranteed prices have not been firmly established. These are meats—other than pig meats—and fruits and vegetables—other than a fairly wide range of fruits for which minimum prices are paid for canning and jam manufacture.[9]

With regard to these two groups of products, the Prime Minister explained, purchases by the Government in the open market to supply the Allied Military Forces and to fill the requirements of the British Purchase Agreements served to support the market at favorable levels.

Unlike the United States or Canada, Australia is not committed by legislation to a general program of farm-price support in the postwar period. The same purpose is served, however, by the long-term purchase agreements with the United Kingdom covering wool, meat, and dairy products. These agreements assure a stable export demand for the products covered during the early postwar period. During the inter-war period, Australian consumers heavily subsidized the exportation of sugar and of dairy products. Dried vine fruits and canned fruits owe their present importance as export products to:

> (*a*) The tariff preference granted to Australian dried fruits [and canned fruits as well] in the United Kingdom, Canada and New Zealand;
>
> (*b*) The exchange premium of 25 per cent. on fruit exported to the United Kingdom and Canada;
>
> (*c*) The Australian tariff on fruits from other countries; and
>
> (*d*) The maintenance of an Australian price.[10]

Many producers of fruits, dairy products, and sugar in Australia have high fixed costs, based upon capitalization of returns during the period of expansion under Government price support, and would find it difficult to carry on in their present occupations if the present measures of preference and bounties were withdrawn.

On the other hand, Australian wool and meat were marketed abroad during the 1930's without the aid of subsidies from the Australian Government. The United Kingdom was practically the sole market for meat, and Australia enjoyed the benefits of imperial preference in that market. Wool, however, was sold in the United States, to Japan, and to continental Europe, as well as to the United Kingdom, without the benefit of subsidy or preference. In spite of the fact that Australia paid large subsidies to wheat producers in the 1930's, the country has many areas where wheat is produced at relatively low costs. Australia should be able to maintain its position as an exporter of these commodities with little trouble.

In the statement previously quoted, the Prime Minister felt it necessary to assure the Australian farmer that his Government was "affording reasonable protection to the primary producer in respect of prices he obtains for his commodities." That assurance is the key to the future agricultural policy of Australia. Producers would welcome a freer flow of international trade, provided satisfactory prices prevailed in the world market. But with low, or widely fluctuating world prices, Australian producers

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[9] ELLIS, PERRY. STATEMENT BY PRIME MINISTER REGARDING AUSTRALIAN FOOD SUPPLIES. U. S. Cons. Rpt. No. 189. 2 pp. Sydney. December 29, 1943. [Hectographed.] See p. 1 of attachment.

[10] See p. 5 of the Twentieth Annual Report of the Dried Fruits Control Board, 1943–44 (*3*) and p. 5 of the Eighteenth Annual Report of the Canned Fruits Board, 1943–44 (*2*).

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can be expected to oppose the removal or diminution of any preference or bounty that serves to protect their position.

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